

CITY STORES COMPANY
and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

JANUARY 31, 1940

BOARDS

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DIRECTORS

ALFRED BLASBAND	Philadelphia, Pa.
SAUL COHN	Newark, N. J.
WILLIAM D. GORDON	Philadelphia, Pa.
ALBERT M. GREENFIELD	Philadelphia, Pa.
WALTER T. GROSSCUP	Philadelphia, Pa.
GEORGE H. JOHNSON	Philadelphia, Pa.
JOSEPH H. LOVEMAN	Birmingham, Ala.
ERNEST W. NIVER	New York, N. Y.
PAUL H. SAUNDERS	New Orleans, La.
HARRY W. SCHACTER	Louisville, Ky.
HERBERT J. SCHWARTZ	New Orleans, La.
HARRY G. SUNDHEIM	Philadelphia, Pa.
JOHN J. TURTELTAUB	New York, N. Y.

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>President</i>
WILLIAM D. GORDON	<i>Executive Vice President and Treasurer</i>
LOUIS N. BATOFF	<i>Secretary</i>
HUGO D. WALZ	<i>Assistant Secretary and Controller</i>
IRWIN S. JOSEPH	<i>Assistant Treasurer</i>

TRANSFER AGENT CENTRAL HANOVER BANK & TRUST CO.
70 Broadway, New York, N. Y.

REGISTRAR THE CHASE NATIONAL BANK OF THE
CITY OF NEW YORK
11 Broad Street, New York, N. Y.

AUDITORS ERNST & ERNST
19 Rector Street, New York, N. Y.

April 25, 1940.

To the Stockholders of

CITY STORES COMPANY:

The annual report of your Company for the fiscal year ended January 31, 1940 is presented herein, together with certification by independent auditors, Messrs. Ernst & Ernst, and a review of the operations for the year.

Believing it will be helpful to our stockholders, we continue the policy of including in this report some comparative figures in order to indicate the progress of the Company. We also submit separate balance sheets of City Stores Company (Parent Company) and each of its subsidiary companies as of January 31, 1940, together with statements of profit and loss and surplus of the Parent Company, and a consolidated statement of profit and loss and surplus of City Stores Company and its subsidiaries for the fiscal year ended January 31, 1940.

SALES AND EARNINGS

Net sales for the fiscal year, including sales of leased departments, amounted to \$41,450,776 compared with \$36,850,877 for the preceding year. Following is a summary of total annual sales of the respective operating units for the past five years:

FISCAL YEAR ENDED JANUARY 31,	TOTAL NET SALES
1940.....	\$41,450,776
1939.....	36,850,877
1938.....	40,184,459
1937.....	38,436,183
1936.....	33,557,665

In reviewing the progress of sales consideration should be given to the reduction in the general price level of goods since 1930. The result for the past year is due to a larger number of transactions, increased quantities of goods sold, and general improvement in public acceptance in each of our localities.

Net earnings of the subsidiary companies for the past fiscal year amounted to \$1,937,097, compared with \$634,138 for the preceding year. Both figures are prior to deduction of federal and state taxes on income, minority interest proportion and interest on Parent Company's funded debt, but after elimination of inter-company dividends. For the past five years the comparative figures are as follows:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT OF SUBSIDIARIES BEFORE DEDUCTIONS STATED ABOVE
1940.....	\$1,937,097
1939.....	634,138
1938.....	1,521,520
1937.....	1,694,013
1936.....	942,543

For each separate group of subsidiary companies, earnings for the past year on the basis above outlined compare with the four preceding years as follows:

	1940	FISCAL YEAR ENDED JANUARY 31,			
		1939	1938	1937	1936
Lit Brothers, Philadelphia, Pa. and subsidiary companies.....	\$1,061,077	\$201,851	\$ 822,707	\$1,102,780	\$479,657
Maison Blanche Company, New Orleans, La., and its subsidiary companies (Homecraft Finance Corporation and Maison Blanche Realty Company) excluding dividends received from wholly owned subsidiary (B. Lowenstein & Bros., Inc.) of \$105,000 in the year ending January 31, 1937 and \$90,000 in year ended January 31, 1938...	454,845	336,518	338,661	317,997	391,220
Loveman, Joseph & Loeb, Birmingham, Ala., and its subsidiary (Home Furnishing Finance Corporation).....	245,238	152,229	199,323	151,866	27,804
B. Lowenstein & Bros., Inc., Memphis, Tenn. and its subsidiary company (Homecraft Finance Corporation of Memphis).....	141,706	25,661*	107,245	115,222	33,473
Kaufman-Straus Company, Inc., Louisville, Ky., and its subsidiary company (Homecraft Finance Corporation of Louisville) (after deducting flood loss in fiscal year ended January 31, 1937).....	34,239	31,512*	52,887	5,895	14,753
Kenville Realty Company, Louisville, Ky....	— 0 —	717	716	722	— 0 —
City Stores Mercantile Company, New York City.....	8*	4*	19*	469*	4,364*
	<u>\$1,937,097</u>	<u>\$634,138</u>	<u>\$1,521,520</u>	<u>\$1,694,013</u>	<u>\$942,543</u>

* Indicates loss.

From the foregoing earnings of subsidiary companies amounting to \$1,937,097 for the fiscal year ending January 31, 1940, there must be deducted the sum of \$311,001 representing the proportion of such earnings applicable to the subsidiaries' preferred and common stocks not owned by City Stores Company, interest on funded debt, etc. of the Parent Company amounting to \$332,407, and federal and state taxes on income of \$434,389, after which there remains a net profit of \$859,300 applicable to City Stores Company, compared with \$63,846 for the preceding year. The comparable figures for the past five fiscal years are given in the following tabulation:

FISCAL YEAR ENDED JANUARY 31,	NET PROFIT APPLICABLE TO CITY STORES COMPANY
1940.....	\$859,300
1939.....	63,846
1938.....	578,268
1937.....	616,776
1936.....	303,337

Total depreciation and amortization charged against earnings during the past fiscal year amounted to \$509,300, and for the preceding year amounted to \$505,204.

OPERATING REVIEW

In our Annual Report for the previous year, attention was drawn to the improvement in general business conditions and in the Company's operations during the latter part of that year. This improvement continued into the fiscal year just ended and the above encouraging increase in earnings resulted. The following tabulation shows the combined result of operations of the

Company and subsidiaries based upon published reports for quarterly periods during the respective fiscal years:

	PROFIT OR LOSS	
	FOR THE FISCAL YEAR ENDED	
	JANUARY 31, 1940	JANUARY 31, 1939
First quarter.....	\$ 7,866*	\$ 71,176*
Second quarter.....	99,423*	321,604*
Third quarter.....	292,204	60,875
Fourth quarter.....	674,385	395,751
	<u>\$859,300</u>	<u>\$ 63,846</u>

*Indicates loss.

As in previous years, taxes constitute an extremely heavy and constantly greater burden, as shown by the following comparison of our direct tax cost for the past three fiscal years:

	FOR THE FISCAL YEAR ENDING		
	JANUARY 31,		
	1940	1939	1938
Real Estate Taxes.....	\$ 291,243	\$280,790	\$ 280,803
Payroll Taxes.....	292,217	272,959	215,281
Other Taxes.....	181,421	194,080	178,439
Total Taxes Which Have No Direct Relation To Earnings.....	\$ 764,881	\$747,829	\$ 674,523
Federal and State Taxes on Income.....	434,389	159,485	344,249
Total Taxes.....	<u>\$1,199,270</u>	<u>\$907,314</u>	<u>\$1,018,772</u>

FINANCIAL CONDITION

The financial condition of the Parent Company and of each group of subsidiary companies at January 31, 1940 is shown by the accompanying consolidated balance sheet of City Stores Company and subsidiaries and by the separate balance sheets of each group of companies. Adequate reserves have been provided, as usual, for depreciation and amortization of buildings, improvements, equipment and fixtures, and for possible loss on receivables, etc.

Inventories in stores are again conservatively valued on the basis of cost or market whichever is lower as computed by the retail inventory method, less adequate reserves. It is an established practice for our department store subsidiaries to make checks each year for the purpose of determining the age of merchandise and accounts receivable, and the adequacy of our reserves. We consider the stocks of merchandise on hand current and well balanced. As for a number of years past, the independent auditors, with the managements of our various stores, have supervised the inventory procedure and made tests of the quantities and basis of valuation.

Net current assets of City Stores Company and subsidiaries combined at January 31, 1940 were \$10,820,030, or \$839,626 greater than they were a year ago. Progress of this nature has been general throughout all of the operating subsidiaries.

FUNDED DEBT OF PARENT COMPANY

Interest on the funded debt of the Parent Company for the fiscal year ended January 31, 1940 has been paid. General Collateral Convertible Notes in the amount of \$7,800 were retired at par during the year.

As stated in previous annual reports to stockholders, and as shown by footnote to the accompanying income account of the Parent Company, cash dividends from collateral held by Trustees under indentures must first be used by Trustees for payment of interest on funded debt and then used to comply with sinking fund provisions of the related indentures, which specify that annual payments shall be made commencing with the year ended October 1, 1935 of \$140,000 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000 per year on 6% General Collateral Convertible Notes. Under the terms of the indentures provisions for sinking funds are cumulative, but failure to provide the specified amounts does not constitute a default. As of January 31, 1940 unpaid sinking fund requirements aggregated \$929,000.

IMPROVEMENTS

B. Lowenstein & Bros., Inc. is now installing air conditioning for the fifth, sixth, seventh and eighth floors of its store building at Memphis. In 1936 the first four floors and basement were air conditioned. Since this time, it has become apparent that business on the upper four floors has been adversely affected by the lack of a cooling system. The Company has arranged to borrow the funds for a four-year period at a reasonable interest rate to pay the cost of this improvement.

Kaufman-Straus Company, Inc. is now air conditioning the basement and four selling floors at Louisville. Appropriate arrangements have been made for the owner of the property to provide the necessary funds for this air conditioning, repayment of which will be made by Kaufman-Straus Company, Inc. in the form of additional rental over a period of fifteen years.

Lit Brothers is now erecting at Philadelphia a steel and reinforced-concrete warehouse containing approximately 440,000 square feet. The building will be five stories high and in addition to serving as a warehouse will serve as a garage and delivery station. The cost will be approximately \$2,000,000, the financing of which has been arranged in a satisfactory manner. Buttonwood Warehouse Co., a wholly owned subsidiary of Lit Brothers, owns the property and arrangements will be made to lease the structure to Lit Brothers. This improvement will bring under one roof all warehouse activities which are now carried on in nine widely scattered buildings and will make available for the sale of merchandise approximately 60,000 square feet in the present store building, now used for storage and delivery purposes. This will result in improved service to customers and it is believed that there will be a considerable reduction in expenses.

GENERAL

In the past year business in general had to meet with many unusual conditions, including the outbreak of hostilities in Europe, which brought to bear many influences constituting serious threats to prices and stability. These, together with the adverse effect of unsettled national and international economic problems, have created a situation which makes for uncertainty.

We are confident that our stores are serving their communities efficiently and economically. The encouraging results of the past year could not have been accomplished without the whole-hearted and effective cooperation of the employees of our Company and all of its subsidiaries, and the Board of Directors and management desire to express their appreciation for this evidence of the underlying strength and soundness of our companies.

For the Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

ERNST & ERNST
NEW YORK
19 RECTOR STREET

April 11, 1940

BOARD OF DIRECTORS,
CITY STORES COMPANY,
New York City.

We have examined the consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies as of January 31, 1940, and the statements of profit and loss and surplus of CITY STORES COMPANY and the consolidated statements of profit and loss and surplus of that company and its subsidiaries for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate, except that we did not confirm accounts receivable by direct communication with customers. The companies requested us to omit this procedure in consideration of the probability of misunderstanding and inconvenience to the large number of customers and the time and expense involved.

We were present at stores of all companies at appropriate times during the taking of inventories and observed procedures followed by the companies in the determination of quantities and made test counts of quantities. We also made tests of the application of the retail inventory method and of the related computations. Inventories of merchandise were valued (a) with respect to merchandise in stores at not in excess of the lower of cost or market by the retail inventory method and (b) at cost with respect to new season merchandise on hand or in transit. The condition and salability of the inventories were certified to us by the individual store managements.

In our opinion, subject to the fact that we did not confirm accounts receivable by direct communication, the accompanying consolidated balance sheet and individual balance sheets and related statements of profit and loss and surplus present fairly the consolidated position of CITY STORES COMPANY and its subsidiaries and of the individual companies at January 31, 1940 and consolidated results of their operations and of the operations of CITY STORES COMPANY for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST.

CITY STORES COMPANY, NEW

BALANCE

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$	1,766.36
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DEPOSITS UNDER INDENTURES SECURING FUNDED DEBT:

Cash for interest, sinking fund requirements, and retirement of funded debt—Note B.....	\$	16,032.76	
Dividend note of subsidiary company due January 28, 1943 (pledged as collateral to funded debt).....		199,915.00	215,947.76

INVESTMENT IN OTHER COMPANY:

Capital stocks of Scruggs-Vandervoort-Barney, Inc.—at cost, less reserve of \$6,884.75—(pledged as collateral to funded debt)—(quoted market value \$18,304.75).....			7,499.00
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INVESTMENTS IN AND ACCOUNT RECEIVABLE FROM
SUBSIDIARY COMPANIES:

City Stores Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus \$105,427.10 representing dividend paid to City Stores Company by one subsidiary company in capital stock of another subsidiary out of earnings subsequent to January 31, 1935 and plus \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937—Note A:

Unpledged.....	\$	62,504.46	
Pledged.....		13,592,293.11	\$13,654,797.57
Account receivable.....			1,064.67
			13,655,862.24

DEFERRED CHARGES:

Prepaid tax and expense.....		497.05
		<u>\$13,881,572.41</u>

The notes on following page are an

YORK CITY (Parent Company)

SHEET

31, 1940

LIABILITIES

CURRENT LIABILITIES:

Notes payable—unsecured.....	\$	96,735.00		
Accounts payable:				
Subsidiary company.....	\$	495.16		
Other.....		3,568.92	4,064.08	
Accrued accounts:				
Interest on funded debt.....	\$	115,934.00		
Taxes.....		3,869.00	119,803.00	\$ 220,602.08

FUNDED DEBT—Note B:

Ten Year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,500,000.00		
Less retired.....		333,000.00	\$ 3,167,000.00	
Ten Year 6% General Collateral Convertible Notes—due October 1, 1944:				
Authorized and issued.....	\$	3,000,000.00		
Less retired.....		370,300.00	2,629,700.00	5,796,700.00

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:				
Class A—6% cumulative—authorized and unissued 700,000 shares (633,400 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)				
Common:	Shares	Shares		
Authorized.....		1,900,000		
Less: Reserved for conversion of Ten Year 6% General Collateral Convertible Notes.....	525,940			
In treasury.....	501			
Unissued and available for general corporate purpose	164,017-8/12	690,458-8/12		
Outstanding—Note C.....	1,209,541-4/12		\$ 6,047,706.66	
Surplus:				
Capital surplus.....	\$	1,053,623.05		
Earned surplus (since February 1, 1935)— Notes D and E.....		762,940.62	1,816,563.67	7,864,270.33
				<u>\$13,881,572.41</u>

CONTINGENT LIABILITIES:

Note F

integral part of this balance sheet.

NOTES TO BALANCE SHEET OF PARENT COMPANY

NOTE A—City Stores Company's portion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1940 amounted to \$15,766,511.00.

NOTE B—Represents \$7,978.42 to apply against interest and sinking fund requirements on funded debt as of January 31, 1940, and \$8,054.34 for reduction of funded debt. As of January 31, 1940 unpaid sinking fund requirements totalled \$929,000.00.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—In accordance with the terms of both indentures securing funded debt of the Company, the Company, so long as any of the 6% Collateral Convertible Notes issued under either indenture are outstanding, will not declare, pay or set apart for payment cash dividend upon its common stock except out of surplus earned subsequent to October 1, 1934. (See note to Parent Company profit and loss statement).

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

At January 31, 1940, City Stores Company (Parent Company) was guarantor of notes payable given to banks by subsidiary companies in the amount of \$128,300.00.

CITY STORES COMPANY, NEW YORK CITY (Parent Company)

PROFIT AND LOSS STATEMENT

YEAR ENDED JANUARY 31, 1940

INCOME:

Dividends received—cash:		
From subsidiary companies.....	\$340,292.00	
Other.....	1,446.00	\$341,738.00
Payments by subsidiary companies for management, advisory and sales services, less amounts transferred to City Stores Mercantile Company (a wholly owned subsidiary) for buying services.....	134,392.38	
Interest on dividend note given by subsidiary company.....	7,996.60	\$484,126.98

DEDUCTIONS:

General expenses.....	\$128,033.26	
Excess of expenses over income of City Stores Mercantile Company (a wholly owned subsidiary) transferred to Parent Company	388.62	128,421.88
		<u>\$355,705.10</u>
Interest on funded debt:		
On Ten Year 6% Lit Stock Collateral Convertible Notes....	\$190,020.00	
On Ten Year 6% General Collateral Convertible Notes....	157,800.20	347,820.20
NET PROFIT.....		<u><u>\$7,884.90</u></u>

NOTE—Cash dividends from collateral held by Trustees under indentures must first be used by Trustees for payment of interest on funded debt and then used to comply with sinking fund provisions of indentures covering funded debt, which specify that annual payments shall be made commencing with the year ended October 1, 1935 of \$140,000.00 per year on 6% Lit Stock Collateral Convertible Notes and \$120,000.00 per year on 6% General Collateral Convertible Notes. Income received from \$199,915.00 note of Maison Blanche Company due January 28, 1943, issued by that Company in payment of a dividend and deposited with Trustee under indenture securing General Collateral Convertible Notes, is to be applied in reduction of funded debt. Under the terms of the indentures provisions for sinking funds are cumulative, but failure to provide the specified amounts does not constitute a default. As of January 31, 1940 unpaid sinking fund requirements aggregated \$929,000.00, and Trustees held therefor cash in the amount of \$7,978.42 at that date.

EARNED SURPLUS

YEAR ENDED JANUARY 31, 1940

Balance at February 1, 1939.....	\$755,055.72
Add net profit for year.....	7,884.90
BALANCE AT JANUARY 31, 1940.....	<u><u>\$762,940.62</u></u>

CITY STORES COMPANY, NEW YORK

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 1,391,231.87	
Marketable securities at quoted market prices.....	55,250.00	
Notes and accounts receivable from customers (including \$4,431,492.81 of installment accounts) less reserve of \$491,329.66	8,891,049.29	
Notes and accounts receivable from vendors and tenants, less reserve of \$10,000.00.....	125,848.28	
Merchandise inventories—at retail less accumulated departmental mark-up and reserves of \$130,000.00, as shown in subsidiary company balance sheets.....	5,800,238.53	\$16,263,617.97

CASH WITH DEPOSITARIES UNDER INDENTURES SECURING FUNDED DEBT—Note A:

For interest, sinking fund requirements and retirement of funded debt.....		16,032.76
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INVESTMENTS AND OTHER ASSETS:

Cash—restricted for balance of cost of warehouse under construction and other specific purposes.....	\$ 599,779.59	
Sundry investments, less reserves of \$16,079.91.....	242,049.69	
Employee and sundry notes and accounts receivable, deposits, etc.	69,147.35	
Claims against closed banks, less reserves of \$51,661.46.....	47,101.34	
Cash surrender value of life insurance.....	36,116.61	
Stock of City Stores Company (516 shares of common stock owned by subsidiaries).....	1,738.01	995,932.59

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—Note B:

Land.....	\$10,291,274.28	
Buildings, fixtures and equipment.....	\$15,040,411.09	
Less reserves for depreciation.....	6,446,949.96	8,593,461.13
Warehouse under construction.....		539,979.56
Improvements to leased properties.....	\$ 467,660.15	
Less reserves for amortization.....	186,719.57	280,940.58
		19,705,655.55

GOOD WILL (Carried on books of subsidiaries in total amount of \$2,792,158.27).....		1.00
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DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expense, inventories of supplies, prepaid taxes, expenses, etc.....		347,898.32
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NOTE A—Reference is made to Note B to the balance sheet and Note to the profit and loss statement of City Stores Company (Parent Company) in which the amount of funds available for interest, sinking fund requirements, and retirement of funded debt are stated and provisions of indenture securing funded debt of the Company are given with respect to the effect upon surplus and income available for dividends. A note of \$199,915.00 issued by a subsidiary company to the Parent Company as a dividend, and eliminated in this consolidated statement, has been deposited with Trustee under indenture securing General Collateral Convertible Notes.

NOTE B—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased building, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE C—Outstanding shares include shares required to complete exchange of stock issued under prior capitalization.

NOTE D—Including \$2,505.00 reserved for common stock held in treasury.

NOTE E—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies with respect to the position of the Companies as to damage suits and other contingent liabilities.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$37,329,138.19

CITY, AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1940

LIABILITIES

CURRENT LIABILITIES:

Notes payable:

Banks—for borrowed money.....	\$ 453,300.00	
Bank loan installments due in 1940.....	250,000.00	
Other.....	103,635.05	\$ 806,935.05

Accounts payable:

Trade creditors, etc.....	\$3,027,693.53	
Federal and state pay roll taxes.....	57,410.40	3,085,103.93

Accrued accounts:

Interest on mortgages, salaries, wages, taxes, etc.	\$ 600,478.23	
Provision for federal and state taxes on income—estimated.....	493,136.96	
Mortgage installments due in 1939 and 1940..	342,000.00	
Interest on funded debt.....	115,934.00	1,551,549.19
		\$ 5,443,588.17

DEFERRED OBLIGATIONS:

Notes payable to banks, due \$250,000.00 annually	\$1,250,000.00	
Less installments included in current liabilities as above.....	250,000.00	\$1,000,000.00
Paving assessment and dividend notes due subsequent to January 31, 1941.....		2,607.62
		1,002,607.62

MORTGAGES:

Payable by subsidiary companies.....	\$8,909,000.00	
Less installments included in current liabilities as above.....	342,000.00	8,567,000.00

FUNDED DEBT—PARENT COMPANY—Note A:

Ten Year 6% Lit Stock Collateral Convertible Notes—due October 1, 1944:		
Authorized and issued.....	\$3,500,000.00	
Less retired.....	333,000.00	\$3,167,000.00
Ten Year 6% General Collateral Convertible Notes—due October 1, 1944:		
Authorized and issued.....	\$3,000,000.00	
Less retired.....	370,300.00	2,629,700.00
		5,796,700.00

RESERVES:

For redemption of trading stamps, contingencies, etc.....	\$ 591,601.61	
For income tax contingency.....	71,510.13	663,111.74

DEFERRED INCOME:

Unearned carrying charges on installment sales.....		132,906.69
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MINORITY INTEREST:

Preferred stock of subsidiary companies outstanding—at par value.....	\$3,953,600.00	
Accrued undeclared dividends to January 31, 1940	1,236,140.42	\$5,189,740.42
Common stock—subsidiary companies.....	\$ 319,562.00	
Surplus applicable thereto.....	237,937.79	557,499.79
		5,747,240.21

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:

Class A—6% cumulative—authorized and unissued 700,000 shares (633,400 shares reserved for conversion of Ten Year 6% Lit Stock Collateral Convertible Notes)

Common:	Shares	Shares	
Authorized.....		1,900,000	
Less: Reserved for conversion of Ten Year 6% General Collateral Convertible Notes..	525,940		
In treasury.....	501		
Unissued and available for general corporate purposes.	164,017-8/12	690,458-8/12	
Outstanding—Note C.....		1,209,541-4/12	\$6,047,706.66

Surplus:

Capital surplus.....	\$1,202,256.92	
Earned surplus (since February 1, 1935)—Note D	2,726,020.18	3,928,277.10
		9,975,983.76
		<u>\$37,329,138.19</u>

**CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES**

COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year Ended January 31, 1940	Year Ended January 31, 1939	Year Ended January 31, 1938
NET SALES, including sales of leased departments....	\$41,450,776.53	\$36,850,877.65	\$40,184,459.27
COST OF GOODS SOLD.....	26,689,079.01	24,114,577.65	26,368,005.41
GROSS PROFIT ON SALES.....	\$14,761,697.52	\$12,736,300.00	\$13,816,453.86
INSTALLMENT ACCOUNT CARRYING CHARGES, ETC..	293,040.51	252,259.52	276,510.96
TOTAL GROSS PROFIT.....	\$15,054,738.03	\$12,988,559.52	\$14,092,964.82
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES	12,194,276.03	11,507,012.88	11,755,420.42
	\$ 2,860,462.00	\$ 1,481,546.64	\$ 2,337,544.40
OTHER INCOME:			
Interest.....	40,227.75	31,923.11	38,805.73
Rentals.....	190,686.03	193,746.59	189,807.85
Dividends.....	48,334.00	43,421.87	69,940.28
Discount earned on expense invoices.....	37,861.26	37,901.00	39,037.12
Miscellaneous.....	49,890.77	52,375.94	84,485.24
TOTAL OTHER INCOME.....	\$ 366,999.81	\$ 359,368.51	\$ 422,076.22
	\$ 3,227,461.81	\$ 1,840,915.15	\$ 2,759,620.62
OTHER CHARGES:			
Interest on mortgages and notes payable.....	473,117.42	450,365.58	469,080.33
Provision for depreciation and amortization....	509,300.15	505,204.29	492,755.54
Provision for sundry charges, doubtful accounts, etc. (net).....	292,532.70	240,444.69	237,097.49
Federal and state taxes on income—estimated (including surtax on undistributed profits of \$59,707.82 for the fiscal year ended January 31, 1938).....	434,389.47	159,484.84	344,249.26
TOTAL OTHER CHARGES.....	\$ 1,709,339.74	\$ 1,355,499.40	\$ 1,543,182.62
	\$ 1,518,122.07	\$ 485,415.75	\$ 1,216,438.00
Less amount of net profit of subsidiaries applicable to preferred and common stocks of subsidiary com- panies not owned by City Stores Company.....	311,001.41	71,653.04	272,001.56
PROFIT APPLICABLE TO CITY STORES COMPANY BEFORE DEDUCTING INTEREST ON FUNDED DEBT.....	\$ 1,207,120.66	\$ 413,762.71	\$ 944,436.44
Less interest on Parent Company's funded debt....	347,820.20	349,916.16	366,168.25
NET PROFIT FOR PERIOD.....	\$ 859,300.46	\$ 63,846.55	\$ 578,268.19

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective companies for the three fiscal years.

CITY STORES COMPANY, NEW YORK CITY
AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1940

CAPITAL SURPLUS:

Balance at February 1, 1939..... \$1,133,956.92

Add:

Excess of par value over cost of preferred shares of a subsidiary
purchased by another subsidiary during year..... 68,300.00

CAPITAL SURPLUS—BALANCE—JANUARY 31, 1940..... \$1,202,256.92

EARNED SURPLUS:

Balance at February 1, 1939..... \$1,792,555.68

Add:

Consolidated net profit applicable to City
Stores Company for year ended January 31,
1940..... \$859,300.46

Transferring from earned surplus of minority
interest in preferred stock of a subsidiary
company the amount of accrued undeclared
dividends applicable to the stock which was
acquired by another subsidiary during year

76,498.23 935,798.69

\$2,728,354.37

Deduct:

Provision for unearned dividends on preferred
stock of a subsidiary company for the year
ended January 31, 1940 applicable to pre-
ferred stock held by minority interests.... \$ 1,011.79

Sundry item—net (after deduction for pro-
portion applicable to minority interest of
\$605.10)..... 1,322.40 2,334.19

EARNED SURPLUS—BALANCE—JANUARY 31, 1940..... 2,726,020.18

TOTAL SURPLUS—BALANCE—JANUARY 31, 1940..... \$3,928,277.10

LIT BROTHERS, PHILADELPHIA,

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$1,043,808.41	
Marketable securities—at quoted market prices.....	55,250.00	
Accounts receivable—trade (including \$3,277,866.47 of installment accounts) less reserve of \$295,102.95 for doubtful.....	5,578,506.76	
Merchandise inventories—at retail less accumulated departmental mark-up.....	2,754,422.18	\$ 9,431,987.35

INVESTMENTS AND OTHER ASSETS:

Cash—restricted for balance of cost of warehouse under construction and other specific purposes.....	\$ 599,779.59	
Sundry investments.....	182,978.78	
Sundry accounts receivable and cash in closed banks.....	93,975.33	876,733.70

LAND, BUILDINGS AND EQUIPMENT:

Land—Note A.....	\$8,166,077.75	
Buildings, fixtures, equipment, etc.—Note A... \$9,400,337.12		
Less reserves for depreciation..... 4,122,405.29	5,277,931.83	
Warehouse under construction.....	539,979.56	13,983,989.14

GOOD WILL—as stated on books.....	1,046,783.23
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DEFERRED CHARGES:

Prepaid insurance, unamortized mortgage expenses, prepaid taxes and expenses.....	189,948.16
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NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE B—Accumulated unpaid and undeclared dividends at January 31, 1940 amounted to \$2,736,085.50 of which \$1,713,420.00 is applicable to preferred stock owned by City Stores Company.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

\$25,529,441.58

PA., AND SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1940

LIABILITIES

CURRENT LIABILITIES:

Notes and mortgages payable:

Bank loan installments due in 1940.....	\$ 250,000.00		
First mortgage installments due in 1939 and 1940.....	268,000.00	\$ 518,000.00	

Accounts payable.....	1,437,093.38		
Accrued salaries, wages, commissions, taxes, interest, etc.....	386,893.07		
Provision for federal and state taxes on income—estimated.....	313,609.30		

\$ 2,655,595.75

AFFILIATED COMPANIES:

Accounts payable.....	3,596.03	\$ 2,659,191.78	
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DEFERRED LIABILITIES:

First mortgages on land and buildings—due serially to 1945.....	\$ 6,457,000.00		
Less installments included in current liabilities as above.....	268,000.00	\$ 6,189,000.00	

Notes payable to banks, due \$250,000.00 annually.....	\$ 1,250,000.00		
Less installments included in current liabilities as above.....	250,000.00	1,000,000.00	7,189,000.00

RESERVES FOR REDEMPTION OF TRADING STAMPS AND CONTINGENCIES			417,984.79
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DEFERRED INCOME:

Unearned carrying charges on installment accounts receivable....			132,906.69
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred stock—6% cumulative—par value \$100.00 per share, redeemable at \$105.00 per share—Note B:			
Authorized and issued 120,000 shares.....	\$12,000,000.00		
Less 23,997 shares in treasury.....	2,399,700.00	\$ 9,600,300.00	

Common stock—no par value:

Authorized and issued 1,000,000 shares, less 855 shares in treasury.....	999,145.00		
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\$10,599,445.00

Surplus—Note B:

Capital surplus.....	\$ 110,062.50		
Earned surplus.....	4,420,850.82	4,530,913.32	15,130,358.32

\$25,529,441.58

MAISON BLANCHE COMPANY, NEW ORLEANS, LA.
And one of its Subsidiary Companies—Homecraft Finance Corporation

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1940

ASSETS

CURRENT ASSETS:

Cash.....	\$ 98,406.09	
Accounts and notes receivable—trade (including \$515,970.08 of installment accounts) less reserve of \$87,390.60 for doubtful.....	1,508,024.35	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$40,000.00	1,223,262.04	\$2,824,692.48

AFFILIATED COMPANIES:

Accounts receivable.....		905.11
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INVESTMENTS AND OTHER ASSETS:

Investment in affiliated company—book carrying amount (94 shares common stock of City Stores Company).....	\$ 470.01	
Investments in other companies.....	47,000.00	
Sundry accounts receivable and advances and cash in closed banks, less reserve of \$21,344.29.....	9,564.48	57,034.49

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:		
Investment in 6,250 shares of common stock (representing 87.72% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1940 amounts to \$1,078,346.16).....	\$ 789,147.90	
B. Lowenstein & Bros., Inc.:		
Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary company's balance sheet at January 31, 1940 amount to \$1,609,645.53).....	\$2,219,411.38	
Account receivable.....	613.31	2,220,024.69
		3,009,172.59

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$ 765,947.66	
Less reserves for depreciation.....	449,774.62	\$ 316,173.04
Improvements to leased properties.....	\$ 207,702.63	
Less reserve for amortization.....	120,248.82	87,453.81
		403,626.85

GOOD WILL—as stated on books.....

376,031.24

DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes and expenses.....		56,705.74
		<u>\$6,728,168.50</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank.....	\$ 100,000.00
Accounts payable.....	838,290.02
Accrued salaries, taxes and expenses.....	77,390.81
Provision for federal and state taxes on income—estimated.....	79,000.00

\$1,094,680.83

AFFILIATED COMPANIES:

Accounts payable.....	3,504.76	\$1,098,185.59
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NOTES PAYABLE—DIVIDEND—DUE JANUARY 28, 1943.....

200,000.00

RESERVES FOR INSURANCE, ETC.....

6,200.00

CAPITAL STOCK AND SURPLUS:

Capital stock:	
Common stock—par value \$50.00 per share:	
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00

Surplus:

Capital surplus.....	\$ 250,000.00	
Earned surplus.....	1,173,782.91	1,423,782.91
		<u>5,423,782.91</u>
		<u>\$6,728,168.50</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

MAISON BLANCHE REALTY COMPANY, NEW ORLEANS, LA.

BALANCE SHEET

JANUARY 31, 1940

ASSETS

CURRENT ASSETS:			
Cash.....	\$	1,715.16	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful.....		16,650.75	\$ 18,365.91
AFFILIATED COMPANY:			
Account receivable—Maison Blanche Company.....			1,188.76
OTHER ASSETS:			
Sundry accounts receivable and cash in closed bank, less reserve of \$28,196.24.....			418.78
LAND, BUILDINGS AND EQUIPMENT—AT COST:			
Land.....		\$1,170,799.79	
Buildings, fixtures, equipment, etc.....	\$2,318,245.52		
Less reserves for depreciation.....	906,156.01	1,412,089.51	2,582,889.30
DEFERRED CHARGES:			
Prepaid insurance, taxes and expenses.....			7,870.02
			<u>\$2,610,732.77</u>

LIABILITIES

CURRENT LIABILITIES:			
Note payable to bank.....	\$	25,000.00	
Accounts payable.....		19,471.30	
Accrued interest, taxes and wages.....		23,014.24	
Provision for federal and state taxes on income—estimated.....		11,400.00	
First mortgage note—4½%—installments due in 1940.....		50,000.00	\$ 128,885.54
FIRST MORTGAGE NOTES—4½%:			
Maturing \$25,000.00 semi-annually on May 1 and November 1 to November 1, 1943; balance due May 1, 1944.....		\$1,300,000.00	
Less installments included in current liabilities as above.....		50,000.00	1,250,000.00
DEFERRED PAVING ASSESSMENT:			
Payable in installments subsequent to January 31, 1941.....			2,532.62
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Common—par value \$100.00 per share:			
Authorized.....	\$	750,000.00	
Less 375 shares in treasury.....		37,500.00	\$ 712,500.00
Earned surplus—Note A.....		516,814.61	1,229,314.61
			<u>\$2,610,732.77</u>

NOTE A—Restricted in the amount of \$37,500.00 representing the par value of shares in treasury.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

LOVEMAN, JOSEPH & LOEB,
And its Subsidiary Company, Home

CONSOLIDATED

JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 92,079.62	
Accounts receivable—trade (including \$263,757.55 of installment accounts) less reserve of \$53,836.11 for doubtful.....	774,724.07	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$50,000.00.....	710,121.83	\$1,576,925.52

INVESTMENTS AND OTHER ASSETS:

Cash surrender value of life insurance.....	\$ 36,116.61	
Investments in other companies, less reserve of \$4,835.16.....	2,906.16	
Sundry accounts receivable, etc.....	6,685.78	
Investment in affiliated company—at quoted market price (422 shares common stock of City Stores Company).....	1,268.00	46,976.55

LAND, BUILDINGS AND EQUIPMENT—Note A:

Land.....	\$ 903,521.74	
Buildings, equipment, furniture, fixtures, etc... \$1,309,597.22		
Less reserves for depreciation.....	268,304.08	1,041,293.14
		1,944,814.88

GOOD WILL—as stated on books.....	800,000.00
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, interest, etc....	39,985.23
	<u>\$4,408,702.18</u>

NOTE A—Land stated at cost paid for in capital stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

NOTE B—The Company claims exemption from federal surtax on undistributed profits for the years ended January 31, 1937, and January 31, 1938. Reserve for federal income tax contingency has been provided in the amount of \$71,510.13 to cover amount involved.

NOTE C—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

BIRMINGHAM, ALABAMA

Furnishing Finance Corporation

BALANCE SHEET

31, 1940

LIABILITIES

CURRENT LIABILITIES:

Note payable to bank.....	\$ 100,000.00	
Accounts payable.....	270,816.19	
Accrued salaries, taxes and interest.....	51,610.97	
Provision for federal and state taxes on income—estimated— Note B.....	54,427.66	
First mortgage installments due 1940.....	24,000.00	
	\$ 500,854.82	

AFFILIATED COMPANIES:

Accounts payable.....	5,008.48	\$ 505,863.30

FIRST MORTGAGE—5%:

On land, buildings and fixtures—due February 7, 1943, with semi- annual installment payments of \$12,000.00 each due on Feb- ruary 7 and August 7.....	\$1,152,000.00	
Less installments included in current liabilities as above.....	24,000.00	1,128,000.00

RESERVES:

For federal income tax contingency—Note B.....	\$ 71,510.13	
For contingencies, pensions, etc.....	161,118.40	232,628.53

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:

Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note D:			
Authorized and issued....	\$1,000,000.00		
Less 7,403 shares in treasury	740,300.00	\$ 259,700.00	

Common stock:

Authorized.....	\$2,000,000.00		
Less unissued.....	378,000.00	1,622,000.00	\$1,881,700.00

Surplus—Notes D and E:

Capital surplus.....	\$ 2,034.50		
Earned surplus.....	658,475.85	660,510.35	2,542,210.35

\$4,408,702.18

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1940 on the 7% cumulative preferred stock amounted to \$146,946.92.

NOTE E—Excluding charge of \$740,300.00 for preferred stock held in treasury.

B. LOWENSTEIN & BROS., INC., MEMPHIS, TENN.
 And its Subsidiary Company, Homecraft Finance Corporation of Memphis

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1940

ASSETS

CURRENT ASSETS:

Cash.....	\$	98,310.22	
Accounts receivable—trade (including \$261,392.10 of installment accounts) less reserve of \$40,000.00 for doubtful.....		780,347.16	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$30,000.00.....		749,366.90	\$1,628,024.28

INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$2,500.00.....	\$	1,164.00	
Employee and sundry note and accounts receivable.....		984.01	2,148.01

FIXTURES, EQUIPMENT AND IMPROVEMENTS—AT COST:

Store and office fixtures and equipment.....	\$	1,019,417.27	
Less reserves for depreciation.....		625,877.76	\$ 393,539.51
Improvements to leased property.....	\$	118,308.33	
Less reserve for amortization.....		44,099.54	74,208.79
			467,748.30

GOOD WILL—as stated on books.....			150,000.00
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes and expenses.....			31,715.32
			<u>\$2,279,635.91</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank.....	\$	100,000.00	
Accounts payable.....		349,452.16	
Accrued salaries, taxes and expenses.....		35,248.25	
Provision for federal and state taxes on income—estimated....		27,800.00	
	\$	512,500.41	

AFFILIATED COMPANIES:

Accounts payable.....		1,191.55	\$ 513,691.96
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RESERVES:

For plate glass and parcel post losses.....			6,298.42
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Common stock—no par value; declared value \$100.00 per share:			
Authorized 15,000 shares; 11,450 shares issued.....		\$1,145,000.00	

Surplus:

Capital surplus.....	\$414,719.33		
Earned surplus (since October 1, 1938).....	199,926.20	614,645.53	1,759,645.53
			<u>\$2,279,635.91</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—Contracts were executed subsequent to January 31, 1940 for installation of additional air conditioning equipment to cost approximately \$65,000.00.

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

KAUFMAN-STRAUS COMPANY, INC., LOUISVILLE, KY.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville

CONSOLIDATED BALANCE SHEET

JANUARY 31, 1940

ASSETS

CURRENT ASSETS:

Cash.....	\$ 43,907.36	
Accounts receivable—trade (including \$112,506.61 of installment accounts) less reserve of \$15,000.00 for doubtful.....	363,644.48	
Merchandise inventories—at retail less accumulated departmental mark-up and reserve of \$10,000.00.....	362,352.78	\$ 769,904.62

INVESTMENTS AND OTHER ASSETS:

Investments in other companies.....	\$ 503.00	
Employee and sundry accounts receivable.....	2,713.54	3,216.54

LAND, EQUIPMENT AND IMPROVEMENTS:

Real estate and building—at cost.....	\$ 1,424.05	
Less reserve for depreciation.....	274.50	\$ 1,149.55
Furniture, fixtures, equipment, etc.—Note B..	\$ 201,827.67	
Less reserves for depreciation.....	55,018.85	146,808.82
Improvements to leased building—Note B.....	\$ 141,649.19	
Less reserve for amortization.....	22,371.21	119,277.98
		267,236.35

GOOD WILL—as stated on books.....		419,343.80
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, taxes, and expenses...		21,120.85
		<u>\$1,480,822.16</u>

LIABILITIES

CURRENT LIABILITIES:

Notes payable to bank—Note C.....	\$ 60,000.00	
Notes payable for equipment purchased.....	6,900.05	
Accounts payable.....	162,121.25	
Accrued salaries, taxes and expenses.....	20,593.86	
Provision for federal and state taxes on income—estimated.....	6,900.00	
	<u>\$256,515.16</u>	

AFFILIATED COMPANIES:

Accounts payable.....	5,394.10	\$ 261,909.26
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CAPITAL:

Preferred stock—7% cumulative—par value \$100.00 per share, redeemable at \$110.00 per share—Note D:			
Authorized.....	\$ 750,000.00		
Less: Unissued.....	\$247,400.00		
Retired.....	3,700.00	251,100.00	\$498,900.00
Common stock—par value \$100.00 per share:			
Authorized and issued.....	\$1,000,000.00		
Earned surplus (deficit)—Notes D and E.....	(279,987.10)	720,012.90	1,218,912.90
			<u>\$1,480,822.16</u>

NOTE A—All gross profit and carrying charges on installment sales are taken into income account in year in which sales are made.

NOTE B—Stated at sound values as determined in January, 1936 by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Notes payable to bank are guaranteed by City Stores Company (Parent Company).

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1940 on the 7% cumulative preferred stock amounted to \$314,307.00 of which \$66,528.00 is applicable to preferred shares not owned by City Stores Company or its subsidiaries.

NOTE E—Excluding charge of \$3,700.00 for preferred stock retired.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

CITY STORES MERCANTILE COMPANY, NEW YORK CITY

BALANCE SHEET

JANUARY 31, 1940

ASSETS

CURRENT ASSETS:		
Cash.....	\$ 11,238.65	
Merchandise inventory—at cost.....	712.80	\$ 11,951.45
AFFILIATED COMPANIES:		
Investments:		
In preferred stock of Kaufman-Straus Company, Inc.—1,366 shares—at cost (pledged as collateral to notes payable).....	\$68,300.00	
In common stock of Maison Blanche Company—4 shares—at cost.....	640.00	\$ 68,940.00
Dividend note of affiliated company due January 28, 1943.....	10.00	
Accounts receivable.....	15,976.44	84,926.44
OTHER ASSETS:		
Employee and sundry accounts receivable.....	\$ 1,067.76	
Account receivable from Richard Store Company (formerly Mark Store Company).....	842.76	1,910.52
EQUIPMENT—NOTE A:		
Furniture and fixtures.....	\$ 24,489.58	
Less reserve for depreciation.....	19,138.85	5,350.73
DEFERRED CHARGES:		
Prepaid tax and sundry expense.....		55.95
		<u>\$104,195.09</u>

LIABILITIES

CURRENT LIABILITIES:		
Notes payable to bank (collateral—1,366 shares preferred stock of Kaufman-Straus Company, Inc.)—Note B.....	\$ 68,300.00	
Accounts payable.....	3,889.28	
Accrued salaries, interest and taxes.....	1,539.15	
	<u>\$ 73,728.43</u>	
AFFILIATED COMPANY:		
Account payable.....	1,064.67	\$ 74,793.10
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares; issued and outstanding 250 shares...	\$ 25,000.00	
Paid-in surplus.....	4,401.99	29,401.99
		<u>\$104,195.09</u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less provision for accruing depreciation.

NOTE B—Notes payable to bank are guaranteed by City Stores Company (Parent Company).

NOTE C—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income.

PAID-IN SURPLUS

YEAR ENDED JANUARY 31, 1940

BALANCE AT JANUARY 31, 1939 AND JANUARY 31, 1940.....	<u>\$ 4,401.99</u>
No change during year.	

INCOME AND EXPENSES

YEAR ENDED JANUARY 31, 1940

INCOME:		
Payments by subsidiary companies of City Stores Company for buying services.....	\$100,578.28	
Other.....	6,000.00	\$106,578.28
	<u>\$106,966.90</u>	
EXPENSES (net)		
Transferred to City Stores Company (Parent Company).....	388.62	106,578.28
BALANCE.....		<u>\$ — 0 —</u>

KENVILLE REALTY COMPANY, LOUISVILLE, KY.

BALANCE SHEET

JANUARY 31, 1940

ASSETS

AFFILIATED COMPANIES:

Accounts receivable..... \$ 519.50

LAND—Note A..... 50,000.00

\$50,519.50

LIABILITIES

CURRENT LIABILITIES:

Real estate taxes..... \$ 317.88

Federal capital stock tax..... 1.00

\$ 318.88

ACCOUNT PAYABLE—AFFILIATED COMPANY:

City Stores Mercantile Company..... 419.47 \$ 738.35

CAPITAL:

Capital stock—par value \$100.00 per share:

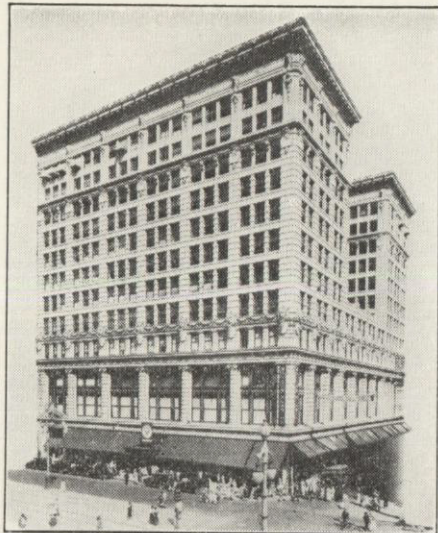
Authorized and issued 500 shares..... \$50,000.00

Earned surplus (deficit)..... (218.85) 49,781.15

\$50,519.50

NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as of January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal tax on income.



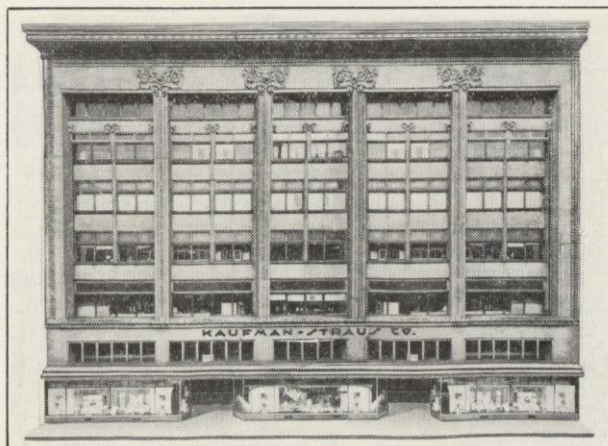
MAISON BLANCHE COMPANY
NEW ORLEANS, LA.



B. LOWENSTEIN & BROS., INC.
MEMPHIS, TENN.



LIT BROS.—PHILADELPHIA, PA.



KAUFMAN-STRAUS CO., INC., LOUISVILLE, KY.



LOVEMAN, JOSEPH & LOEB—BIRMINGHAM, ALA.

